

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF)
THE RATES OF KENTUCKY-)
AMERICAN WATER COMPANY)

CASE NO. 8836

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file an original and 12 copies of the following information with the Commission by October 31, 1983. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. At the October 6, 1983, hearing, Kentucky-American's witness James E. Harrison stated that Kentucky-American's depreciation expense includes depreciation on contributed property. The Commission's policy is to compute depreciation expense on the basis of original cost of the plant in service less contributions in aid of construction, as the Commission is of the opinion that a utility should not be allowed recovery on that portion of the plant which has been provided at zero cost to the utility. The Commission herein provides notice to Kentucky-American that, although this policy has not been applied to Kentucky-American in previous ratemaking treatment, consistency requires such an

adjustment to be considered in this case. The Commission advises Kentucky-American that it has the opportunity to comment on the Commission's policy in responding to this request and in its subsequent brief.

Regarding the contributions in aid of construction of \$3,663,218 (Exhibit 2, Schedule 2, page 1 of 2 of the notice and application), provide the following:

A. The amounts and dates of donations from:

- (1) States
- (2) Municipalities
- (3) Customers (total contributions for each year)
- (4) Others (specify)

B. The amount of contributions in aid of construction applicable to each property account. If such information is not available by account, provide an estimate or allocation of the amount applicable to each property account. Also provide an estimate of the depreciation expense taken on contributed property for each account or department in the test period expense, as well as an estimate of total depreciation on contributed property. Where estimates are used, note such estimates and provide any assumptions used.

Done at Frankfort, Kentucky, this 21st day of October, 1983.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:

Secretary